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C O N F I D E N T I A L RANGOON 001294

SIPDIS

STATE FOR EAP/BCLTV, EB  
COLOMBO FOR ECON MANLOWE  
COMMERCE FOR ITA JEAN KELLY  
TREASURY FOR OASIA JEFF NEIL  
USPACOM FOR FPA

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TAGS: [ETRD](#) [ECON](#) [KTEX](#) [BM](#)  
SUBJECT: BURMA'S GARMENT MAKERS FEAR 2005

REF: RANGOON 912 AND PREVIOUS

Classified By: COM CARMEN MARTINEZ FOR REASONS 1.4 (B,D)

1. (C) Summary: After a few months of improved fortune for Burma's garment sector (reftel), things are turning gloomy as 2005 nears. Industry officials are hopeful but not optimistic that the troubled industry will survive the end of quotas in 2005. If not, factory closures and layoffs will likely occur early next year, though we see little chance of social unrest as a result. End summary.

The End is Nigh

2. (C) A top official in Burma's Garment Manufacturers Association (GMA) told us of his industry's increasing trepidation as the end of 2004, and the multi-fiber agreement (MFA), draw near. He noted that some of the few foreign buyers remaining following the imposition of a U.S. import ban in August 2003 (before which the United States was the largest buyer of Burmese garments) were starting to shift their orders to China, and others were not committing to any new orders after November 2004. For the official's own factories, prior to sanctions he did business with around 20 buyers, dropping to five or six by mid-2004, and now he has only three or four.

3. (C) Despite the increasingly gloomy scenario, the official claimed that neither he nor other members of the GMA were planning to close factories or lay off additional workers before the end of the year. He said everyone was holding on just in case there was some dynamic that brought new orders to Burma. One scenario he envisioned was that post-MFA Chinese producers would focus their attention on the huge orders coming from the United States, leaving the comparatively smaller European and Japanese orders to Southeast and South Asia.

4. (C) The mood is not particularly optimistic, though. The official said with certainty that he and other manufacturers would not wait for salvation very long into 2005. If orders were not forthcoming within the first couple of months of the year, he said, most all manufacturers would likely cut their losses immediately, closing factories and firing workers en masse. He noted that such sudden and large-scale lay-offs (he estimated around 50,000-60,000 workers still in the export-oriented garment sector) could cause economic and social problems as there was not much for these workers to do. He said that no one was expecting the government to try and pre-empt this result or aid those who would lose their jobs.

Comment: More Troubles

5. (C) Unless there is some unforeseen twist of fate, and with a few exceptions, we don't see the industry surviving far into 2005. However, we also don't see any serious social consequences from the likely fallout of the industry's collapse. We saw no unrest when tens of thousands lost their jobs in the garment factories in the months following the imposition of the import ban. Also, despite genuine concern from local INGOs, there is thus far little evidence that a notable percentage of those who lost their jobs has turned to sex work or illegal migration. End summary.  
Martinez